

COUNCIL ON DEVELOPMENT FINANCE

July 28, 2008
PUBLIC HEARING 345

THOSE PRESENT:

Mr. Andy Lubin, Chairperson
Mr. Tom Gilligan
Representative Greg Lavelle
Mr. Fred Sears
Mrs. Richelle Vible

Mr. Gary Smith
Mrs. Sanskriti Inamdar
Mrs. Lee Porter
Elio Battista, Jr., Esquire

ALSO PRESENT: Representing **Basell USA Inc.:** Mr. Robert Sperati, Mr. Michael Mulrooney and Mr. Scott Salerni

LOCATION: Delaware Economic Development Office, 820 North French Street, Wilmington, Delaware

TIME: 9:00 A.M.

CALL TO ORDER

The meeting was called to order at 9:00 A.M. by Mr. Lubin, Chairperson, on Monday, July 28, 2008.

OLD BUSINESS:

Representative Lavelle made a motion that the minutes of the June 30, 2008 Council on Development Finance meeting be approved as presented. Mr. Sears seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS:

Basell USA Inc. (“Basell” or the “Applicant”) - The Applicant is requesting a grant in the amount of \$126,000 from the Delaware Strategic Fund. The Applicant proposes to use the proceeds to offset the costs of new employee hires and transfers due to the merger of Lyondell and Basell. Basell USA Inc. is located at Delaware Corporate Center II, Suite 300, 2 Righter Parkway in Wilmington, Delaware 19803 (the “Project”).

Mr. Smith presented this request to the Council. He stated Basell relocated from Elkton, Maryland to Wilmington which was a good thing for the State of Delaware. He stated that Basell AF and Lyondell Chemical Company merged together in 2007 creating

LyondellBasell Industries. Lyondell is moving its part of the partnership to Wilmington, Delaware. Mr. Smith stated the company will create 42 new jobs in Delaware; 27 new hires and 15 would be transferred from Houston, Texas.

Mr. Smith stated that DEDO has offered a \$126,000 Delaware Strategic Fund grant to help facilitate the move for LyondellBasell. He stated that it has been determined that the State will receive on an annual basis, \$160,000 in PIT as a result of this project. In addition, DEDO expects the State to gain \$15 million from GDP. He stated that if this project had decided to go to Houston, the State would have lost about \$42 million in GDP.

Mr. Mike Mulrooney, President of Basel North America and officer for LyondellBasell, introduced Mr. Robert Sperati, head of strategy, and Scott Salerni, Esq. Mr. Mulrooney stated that there has been a long history of predecessor companies, but in December of last year, Basell and Lyondell merged to be LyondellBasell. He stated that technically it was a leverage buyout. He stated they are now the third largest chemical company in the world. They have revenues of \$45 billion dollars which is about 50% higher than DuPont's. They have approximately 15,000 employees worldwide. The global headquarters is in the Netherlands.

Mr. Mulrooney stated the chemical portion of the business is based in Houston. The company is organized around three divisions – chemicals and refining which will remain in Houston. The polymers division of Lyondell based in Houston is twice the size of Basell's. When the decision was being made whether it was going to be in Houston or Wilmington, there were strong feelings on both sides. There were advantages and disadvantages for both. Houston was close to the manufacturing site but Wilmington was close to the customer site. Mr. Mulrooney stated that they preferred to operate the polymers here in Wilmington; presented that decision to the Board and the decision was approved. He stated that 118 positions remained in Wilmington, 42 new positions will be created; they have already started hiring process. They hope to be fully operational by November meaning that they should have staff in place by September.

Mr. Mulrooney stated that LyondellBasell still has ambitions to grow. They have acquired a Shell refinery in France. They still have some other opportunities in the pipe line.

Mr. Lubin asked what type of staff they were looking for. Mr. Mulrooney stated it would be mostly marketing, some sales, some customer service and transportation.

Mr. Battista discussed the moral turpitude regulation with the Application. He stated that in order for the Authority to make a resolution, it needs to have a letter from LyondellBasell's legal counsel addressing this issue.

Mrs. Inamdar briefly discussed her financial analysis of the Project. She stated that a lot of their profitability measures are fine and it is a going concern. She reminded the

Council that there is a claw back in effect for seven years. This is a performance based grant and the employees have to be employed for 90 days before there can be a draw request.

Representative Lavelle asked if the expansion is going to take place at the present site. Mr. Mulrooney stated that it would.

Mr. Lubin asked the Applicant what enticed them to come to Delaware. Mr. Mulrooney stated it was because of the quality of life and because of the long history they have with Delaware.

Mr. Lubin asked if there were any public comments; there were none.

After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to the maintaining or providing of gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$10,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the Grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, Mr. Gilligan made a motion that the Council recommend to Mrs. Judy Ann Cherry, Chairperson, The Delaware Economic Development Authority, approval of a grant in the amount not to exceed One Hundred Twenty-Six Thousand Dollars (\$126,000) to be disbursed from the Delaware Strategic Fund, for the Project, contingent upon the approval remaining in effect through and including July 28, 2009. Representative Lavelle seconded the motion, which was then unanimously approved.

Brownfield Assistance Program – At the June 2, 2008 Council meeting, Mr. Lubin asked Mr. Battista to memorialize the interpretations regarding the Brownfields assistance program. Mr. Smith distributed that information at the June 30, 2008 Council meeting. At the July 28th meeting, the Wilmington UDAG application was specifically discussed in regards to the language within the Regulations that would allow/not allow potentially cities, counties and other local entities to apply for Brownfield assistance.

Mr. Battista stated that the Council needed to verify the interpretation. He stated that the Strategic Fund Regulations ("Regulations") state that "sites" which are owned by a governmental unit of the State" do not qualify for assistance under the Brownfield Assistance Program. However, he feels that the Regulations are not clear whether this

term means only an agency, division, or instrumentality of the State or whether it is meant to also include all forms of local government, quasi-governmental units and municipalities within the State.

Mr. Sears stated that he believed that since it applies only to Brownfields, it is okay because cleaning up a Brownfield site is so important and helpful to the State.

Mr. Gilligan made a motion that the Council recommend to Mrs. Judy Ann Cherry, Chairperson, The Delaware Economic Development Authority, clarification of section 19.2.2.4 of the Authority's "Regulation No. 5 – Procedures Governing the Delaware Strategic Fund" to mean that only agencies, divisions, or instrumentalities of the State are ineligible for Brownfield assistance pursuant to Regulation No. 5. Representative Lavelle seconded the motion, which was then unanimously approved.

Financial Statements – Mr. Smith presented to the Council the 2007 financial statements for The Delaware Economic Development Authority. He stated these were the first statements ever for the Authority. He stated that this year, DEDO is going to do trial balances and have the State Auditor's office do the statements.

Mr. Smith stated that the Council may want to look at how much funding is done in grants versus loans. He stated that if the legislature should ever decide that it wants DEDA to be self supporting, DEDA would need to have more loans than grants to show that there is income coming in to pay debt service. It was asked if the Strategic Fund funds were reinvested. Mr. Smith stated they did get reinvested. It was requested that Mr. Battista research the guidelines to see if appropriated funds that were not used could be taken back.

ADJOURNMENT: The meeting was adjourned at 9:50 A.M.

Respectfully submitted,

Lee Porter, Secretary

LKP

cc: Members of the Council on Development Finance
Director Judy Ann Cherry
Elio Battista, Jr., Esquire

The next CDF meeting is scheduled for ***Monday, August 25, 2008*** at 9:00 A.M. at Buena Vista in New Castle.